

# CITY OF NEW CARROLLTON, MARYLAND INVESTMENT POLICY, 2015

## 1. POLICY STATEMENT

It is the policy of the City of New Carrollton (hereinafter referred to as “the City”) to invest excess public funds (funds that are not needed for operations of the City within the next 12 months) in a manner that will provide the highest investment return with the maximum security while meeting the anticipated daily cash flow requirements of the City. The policy will conform to all federal, state and county laws governing the investment of public funds.

## 2. PRUDENCE AND STANDARDS OF CARE

In recognition of its fiduciary role in the management of all public funds entrusted to its care, all City investment balances shall be invested with the same care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent and knowledgeable person would exercise in consideration of the probable safety of the capital as well as the probable income derived.

The “prudent person” standard shall be applied in the context of managing the overall portfolio. Investment officers shall act in accordance with written procedures governing the investment policy while exercising due diligence. Deviations from expectations are to be reported in a timely fashion to the Council and appropriate action should be taken to control adverse developments.

It shall be the policy of the City of New Carrollton that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Maryland, including those guidelines published by the State Treasurer and Governmental Accounting Standards Board (GASB).

## 3. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program. They shall disclose any personal financial / investment positions that could be related to the performance of the City’s investment portfolio.

## 4. DELEGATION OF AUTHORITY

The authority to manage the City’s investment program is granted under Maryland State Law ( Local Government Article of the Annotated Code of Maryland, Division IV

“Local Finance” and Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland).

The operation of the investment policy is under the responsibility of the Mayor of the City of New Carrollton, as designated in the City Charter Section 3(c), Government of the City. The Mayor administers procedures and controls consistent with this policy, and is authorized for explicit delegation of authority to persons responsible for transactions.

The Mayor and/or his delegate(s), acting in accordance with written procedures and the investment policy and exercising due diligence, shall not be held personally responsible for an individual security’s credit risk or market price changes, provided actions are consistent with the actions describe in Section 2, “Prudence and Standards of Care.

The Mayor shall delegate to the appropriate Administrative and Financial Officers the responsibility for developing a system of controls to regulate the activities of authorized subordinate officials, to produce appropriate recording and reporting of transactions, and to regularly re-evaluate the cash flow needs of the City compared to the specific investment portfolio. These procedures shall cover monitoring of cash flow requirements, safekeeping of investments, opening of investment accounts, wire transfer transactions, collateral and depository agreements and banking service agreements.

## 5. OBJECTIVE

The primary objectives of the City’s investment policy, in priority order, shall be:

- A. **Safety**: Safety of principal is the foremost objective of the investment program. Investments of the city shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification, third party collateralization and safekeeping and delivery versus payment will be required.
- B. **Liquidity**: The City’s investment policy will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated plus a reasonable amount of cash reserves for unanticipated needs.
- C. **Return on Investment**: The City’s investment portfolio shall be designed with the objective of attaining a reasonable rate of return, based on current investment market conditions and liquidity needs. The three month Treasury bill

benchmark was selected after considering the City's investment risk constraints and the liquidity characteristics of the portfolio.

## 6. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Mayor or his designee will maintain a list of financial institutions authorized to provide investment services. The following is a breakdown of the types of institutions to be used by the City along with the type of investment transactions to be handled by those institutions:

### A. Primary Government Dealers

The Federal Reserve Bank of New York designates primary government dealers in government securities. The City can purchase all authorized and suitable investments as listed in Section 8 of this policy from these primary dealers.

### B. Other Security Dealers

The City may purchase repurchase agreements, US Government securities, US Government agency securities, Certificates of Deposit, commercial paper and bankers' acceptances from dealers other than the primary government dealers and from dealer banks that market these securities.

All dealers must agree to the City's policy of delivery versus payment as described in Section 7 of this agreement. Firms must have adequate capital to fulfill their commitment under adverse market conditions. All non-primary firms must provide copies of their audited financial statements and Financial and Operational Combined Uniform Single Report (FOCUS Report) for review and approval before initiating any transactions and annually thereafter.

## 7. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City, shall be conducted on a delivery versus payment (DVP) basis. A third party custodian designed by the Mayor or his delegate and evidenced by safekeeping receipts shall hold securities.

## 8. AUTHORIZED AND SUITABLE INVESTMENTS

The City is authorized to invest in the following types of securities subject to restrictions in the State of Maryland statute, State Finance and Procurement Article 6-222:

- A. U.S. Treasury Obligations
- B. Certificates of Deposit, provided that such deposits are insured by the Federal Deposit Insurance Corporation or the issuing bank or association has collateralized the deposit by:
  - (1) depositing a like amount of bonds in escrow covering the deposits
  - (2) giving as security obligations of or guaranteed by the United States government or any of its agencies
  - (3) an obligation insured by the United StatesThe collateralization level will be at least 100% of the market value of the principal and accrued interest for any Certificates of Deposit issued. An independent third party with whom the State of Maryland has a current custodial agreement will always hold the collateral. Clearly marked evidence of ownership must be supplied to the City and retained.
- C. Money market mutual funds
- D. State of Maryland Local Government Investment Pool

#### 9. MATURITY RESTRICTIONS

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase.

#### 10. PROHIBITED ACTIVITIES

The City is prohibited from investing in the following securities and prohibited from entering into the following transactions:

- A. Collateralized mortgage obligations, inverse floating rate securities, floating rate securities tied to a non-money market instrument, income only obligations, principal only obligations, Z-Tranche securities, residuals and other securities having unusual features
- B. Transactions in options, futures, options on futures, margin buying and commodities
- C. Any other security not expressly authorized in this document

Borrowing funds for the sole purpose of investing is strictly forbidden

11. INTERNAL CONTROL

The City's internal control procedures shall be reviewed annually by an external independent auditor. This review provides internal control by assuring compliance with policies and procedures.

12. REPORTING

Section 6-222 of the State Finance and Procurement Article requires that the City file a report with the General Assembly on General Fund investments and all other investments by January 3 of each year.

13. PERFORMANCE STANDARDS

The investment portfolio is designed to obtain an average market rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The City's investment strategy is passive, and the benchmark yield comparison shall be the yield on the three-month U.S. Treasury bill.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF NEW CARROLLTON, MARYLAND, THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2015.

\_\_\_\_\_  
Katrina R. Dodro  
Chair  
City Council

ATTEST:

APPROVED:

\_\_\_\_\_  
Douglass Barber  
City Clerk

\_\_\_\_\_  
Andrew C. Hanko  
Mayor

Date: \_\_\_\_\_